



Petroleum Market Report

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Energy Information Administration
Office of Oil & Gas

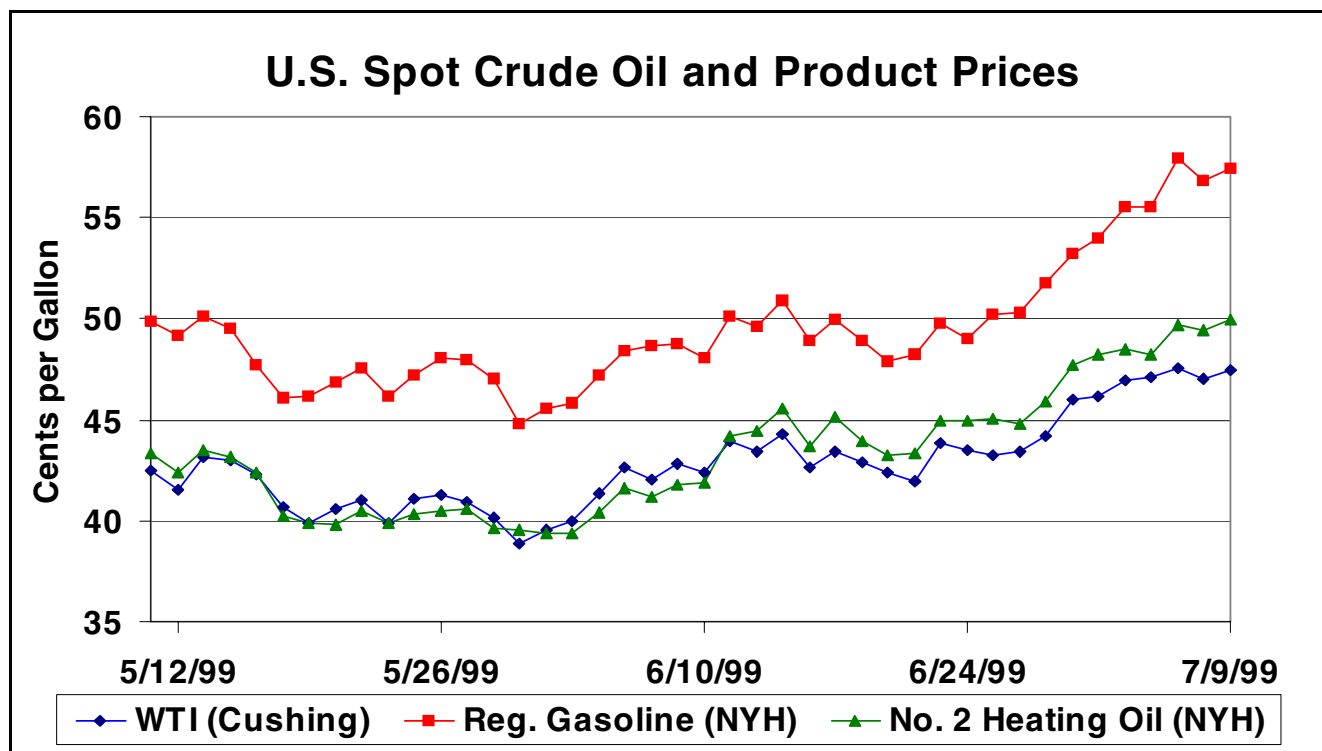
MARKET SUMMARY

Prices moved unevenly upward on U.S. petroleum spot and futures markets last week, for a third straight week of increases. Markets appeared to falter slightly as WTI prices approached the \$20-per-barrel mark, but gained new strength Friday from apparent tightening of global fundamentals. Product prices outgained those for crude oil, as scattered domestic refinery problems added further upward pressure. Despite a shortened week following the extended Independence Day holiday weekend, most prices hit new multi-year highs.

Crude oil - prices posted only modest gains for the week, with WTI spot and futures pausing just short of \$20 per barrel, but still reaching 20-month highs. Overall sentiment remained bullish, and was bolstered on Friday by the monthly IEA report, which discussed expectations of a global stockdraw in the third and fourth quarters, assuming continuation of the current output cuts by OPEC and others. Shell's declaration of *force majeure* on Nigerian crude oil loadings, due to civil disturbances, provided support, as did an unexpected stockdraw for the week ending July 2.

Gasoline - spot and futures prices rose solidly, reaching their highest levels since October 1997. API's report of a large stockdraw for the previous week was bullish, but not supported by EIA's figures. Restarts of formerly troubled units at several refineries weakened prices on Tuesday, but new unit shutdowns at other refineries helped to tighten markets as the week progressed.

Distillate - prices generally followed crude oil upward, but showed some individual support on Thursday, credited to buying interest ahead of the autumn pre-heating-season stocking period. A expected and moderate stockbuild for the week ending July 2 kept inventories above the typical seasonal range.



CHRONOLOGY OF RECENT MARKET EVENTS

- 7/9 - rising** - prices rose moderately across the board, boosted by overall bullish market sentiment and a variety of specific factors. NYMEX WTI settled just short of \$20 per barrel, on support from IEA's monthly report and civil disturbances in Nigeria disrupting crude export loadings.
- 7/8 - mixed** - most prices fell back, led by gasoline, as EIA's weekly supply data did not confirm API's report of a large gasoline stockdraw for the previous week. Only NYMEX heating oil futures gained, despite a seasonal stockbuild, apparently reflecting pre-season buying interest.
- 7/7 - mixed** - prices ended mostly higher, led by products, on expected stockdraws and an outage at Sunoco's Point Breeze, Pennsylvania refinery. NYMEX August crude oil futures slipped back by 1¢ per barrel, pausing after recent strong gains.
- 7/6 - rising** - crude oil and product prices continued upward, though only slightly, in trading following the three-day holiday weekend. The NYMEX August crude oil contract neared \$20 per barrel before falling back to close barely higher for the day, while gasoline gains were limited by unit restarts at two Texas refineries.
- 7/2 - rising** - all prices gained solidly to end the week, again led by gasoline. Futures and many spot prices set new 1½-year highs in a shortened pre-holiday session, featuring shortcovering ahead of the three-day Independence Day weekend.
- 7/1 - mixed** - most prices posted slight to moderate increases, with the exception of NYMEX heating oil futures. Trading reflected a combination of continued impacts from the weekly data, post-expiration of July product futures contracts, and pre-holiday book-squaring.
- 6/30 - rising** - prices rose strongly across the board, boosted by surprisingly bullish weekly supply data from both API and EIA. Draws in both gasoline and crude oil stocks, the latter unexpected, pushed prices for both to their highest levels since late 1997.
- 6/29 - rising** - gasoline led all prices higher on news of a cat cracker shutdown at Mobil's Beaumont refinery. An expected gasoline stockdraw in the weekly API and EIA supply reports also contributed to shortcovering, ahead of NYMEX July product contract expiration on Wednesday.
- 6/28 - mixed** - futures prices were lower, with spot differentials mixed, in generally quiet trading. A brief weekend power outage at Conoco's Westlake refinery and a strike threat to Texaco operations in Nigeria were reported, as traders awaited weekly statistics and NYMEX July products expiration.
- 6/25 - mixed** - most prices ended slightly higher in shortcovering at the end of an otherwise quiet trading day. A sulfur recovery unit problem at BP Amoco's Texas City refinery was the only news of any significance.